



# Illinois Department of Insurance

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BRUCE RAUNER  
Governor

ANNE MELISSA DOWLING  
Acting Director

**TO:** Chief Actuaries of Life/Accident and Health Insurance Companies and Fraternal Organizations Licensed in Illinois

**FROM:** Anne Melissa Dowling, Acting Director of Insurance AMD/JAS

**DATE:** December 21, 2015

**RE:** Company Bulletin 2015-11  
Comments Concerning:

- Financial Reporting
- Health Insurance Reporting
- Policy Form Filings

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## Financial Reporting

1. According to the Statement of Statutory Accounting Principles (SSAP) 1 (7), "If a reporting entity employs accounting practices that depart from the NAIC accounting practices and procedures, disclosure of the following information about those accounting practices that affect statutory surplus or risk-based capital shall be made at the date each financial statement is presented." Per SSAP 1 (7)(c), a disclosure is required of, "The monetary effect on net income and statutory surplus of using an accounting practice which differs from NAIC statutory accounting practices and procedures."

Companies that file an actuarial opinion not based on asset adequacy analysis in accordance with the single state exemption included in 50 Ill. Adm. Code 1408.ILLUSTRATION A (b)(4)(B) are not required to provide this reconciliation of Appendix A-822 of the Accounting Practices and Procedures Manual and 50 Ill. Adm. Code Part 1408.ILLUSTRATION A (b)(4)(B), "Actuarial Opinion and Memorandum".

2. **Illinois domiciled** Dual Authority companies and Life Companies filing on a Health blank are subject to both the Life Actuarial Opinion requirements in Part 1408 and the Health Actuarial Opinion requirements found in the Health Annual Statement Instructions. For companies that qualify for the single state exemption in Part 1408, a Health Opinion is required. For companies that do not qualify for the single state exemption, an opinion based on asset adequacy analysis with some additional Health language is required.

Any questions can be directed to Ms. Susan Christy at [Susan.Christy@illinois.gov](mailto:Susan.Christy@illinois.gov) or (217) 782-1759.

3. Any insurer required to prepare an actuarial opinion pursuant to 50 Ill. Adm. Code 1410, "Modified Guaranteed Annuity (MGA) Contracts", shall annually conduct separate cash flow testing on the MGA reserves. For Illinois domestic insurers, a copy of the MGA opinion shall be attached to each copy of the reserve actuarial opinion submitted with the annual statement. Illinois domestic insurers shall also prepare and submit a separate Regulator Asset Adequacy Issues Summary (RAAIS) covering only the MGA testing. The separate MGA RAAIS shall be submitted along with the RAAIS covering aggregate asset adequacy testing. See Item 5 of this bulletin for filing instructions for the RAAIS. A separate actuarial memorandum is not required.
4. Any Illinois domestic company using the 2001 CSO Preferred Class Structure Table and required to submit an actuarial certification pursuant to 50 Ill. Adm. Code 1413.40 (a) or (b) shall annually submit the certification with the annual statement.

The Department is not yet requiring insurers to submit statistical reports as described in 50 Ill. Adm. Code 1413.40 (c).

5. Pursuant to 50 Ill. Adm. Code 1408.80, **Illinois domestic companies** shall submit a Regulatory Asset Adequacy Issues Summary (RAAIS) that summarizes the memorandum required per 215 ILCS 5/223(1a)(A)(9). The RAAIS should be submitted annually by March 15<sup>th</sup> of the following year. Illinois foreign companies are not required to submit a hard copy of the RAAIS. The RAAIS is considered a confidential document and therefore should not be sent with the annual statement, but should be stamped "confidential" and submitted directly to:

Ms. Susan Christy  
Actuary I  
Illinois Department of Insurance  
320 West Washington  
Springfield, Illinois 62767-0001

6. Any Illinois domestic company required to submit actuarial certifications pursuant to the RBC C-3 Phase I and C-3 Phase II requirements found in the Life Risk Based Capital Forecasting & Instructions Manual published by the NAIC for LR027 and Appendix 1, shall submit two copies annually. These certifications are considered confidential documents and therefore should not be sent with the annual statement, but should be stamped "confidential" and submitted in the following manner. One copy is to be included with the RBC Report to be submitted no later than March 1<sup>st</sup>. The second copy can be included with the Regulatory Asset Adequacy Issues Summary (RAAIS), submitted no later than March 15<sup>th</sup>, and shall be sent directly to:



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Actuary I  
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7. Illinois domestic companies required to submit an actuarial opinion pursuant to Actuarial Guideline XXXVIII, see Item 12 below.

### **Health Insurance Reporting**

8. Effective July 25, 2008, 50 Ill. Adm. Code 2004 was amended to incorporate the March 2008 version of the NAIC's Accounting Practices and Procedures Manual (APPM). As before, all policies and claims incurred prior to January 1, 2002 are subject to the provisions of 50 Ill. Adm. Code 2004. Per 50 Ill. Adm. Code 2004.10, policies issued and claims incurred on or after January 1, 2002 and before November 29, 2006 are subject to the standards prescribed in the March 2001 APPM. Policies issued and claims incurred on or after November 29, 2006 and before July 25, 2008 are subject to the standards prescribed in the March 2006 APPM. Policies issued and claims incurred on or after July 25, 2008 and before December 31, 2015 are subject to the standards prescribed in the March 2008 APPM. Policies issued and claims incurred on or after December 31, 2015 are subject to the requirements in the March 2015 APPM.
9. Companies that write small group health insurance in Illinois are required to submit by May 15 of each year a certification of compliance with the Small Employer Health Insurance Rating Act. 50 Ill. Adm. Code 5101 is the rule to be followed in completing the certification. All certifications shall be submitted through SERFF (see [http://insurance.illinois.gov/regulatory\\_filings/regulatory\\_filings.asp#SGCL](http://insurance.illinois.gov/regulatory_filings/regulatory_filings.asp#SGCL)). For further information please contact Mr. Greg Richardson at [Greg.Richardson@illinois.gov](mailto:Greg.Richardson@illinois.gov).
10. Companies writing Medicare Supplement insurance in Illinois are required by 50 Ill. Adm. Code 2008.80(b) to submit Medicare Supplement refund calculations. The calculations are due on May 31 of each year. All calculations shall be submitted through SERFF. For further information please contact Mr. Mark Hoaglund at [Mark.Hoaglund@illinois.gov](mailto:Mark.Hoaglund@illinois.gov).
11. As of December 1, 2011, any insurance company, health maintenance organization or health service plan authorized to offer health insurance coverage, as that term is defined in the Illinois Health Insurance Portability and Accountability Act [215 ILCS 97/1 et.seq.], must file all rate increases with the Department prior to its use. Please refer to Company Bulletin 2010-08 and Company Bulletin 2011-02 for details

on the requirements and procedures to follow when submitting such filings to the Department.

### **Policy Form Filings**

12. On September 12, 2012, the NAIC approved revisions to Actuarial Guideline XXXVIII. If your company is an Illinois domestic and will be required to submit any policy form or reserve related filings pursuant to Sections 8D and 8E of the revised guideline please contact Ms. Susan Lamb, ASA, MAAA, FLMI at [susan.lamb@illinois.gov](mailto:susan.lamb@illinois.gov) prior to submitting any filings.
13. Include policyholder notification letters with LTC premium increase filings. The Department is also requesting that LTC premium increase filings comply with the sections of the Senior Issues Task Force Model Bulletin (Aug 9, 2013) entitled "Requirement to Administer Contingent Benefit Upon Lapse," "Policyholder Notification of Premium Increase," and "Application of New Loss Ratio Standards."
14. If a previously approved life policy form is re-filed due to a change in mortality table/ non-forfeiture interest rate (per 215 ILCS 5/229.2(4c)(j)), a revised actuarial memorandum demonstrating compliance with 215 ILCS 5/229.2 is required to be filed as well. Please refer to Company Bulletin [2012-04](#) for additional details regarding re-filing requirements due to the reduction in maximum valuation interest rates for 2013 life insurance issues.
15. A new individual annuity and pure endowment mortality standard was adopted in 2014, effective January 1, 2015. Please refer to Company Bulletin 2014-11 for additional details regarding requirements for re-filing previously approved annuity and pure endowment policy forms due to the amendments to 50 Ill. Adm. Code 935.
16. The Department's Annuity Filing Checklist is required to be submitted with all annuity policy form filings. The checklist can be found on our website, [www.insurance.illinois.gov](http://www.insurance.illinois.gov). Click on the "Companies" tab, then "P&C/LAH/HMO/Admin Applications & Standards". For questions regarding this checklist, please contact Ms. Susan Lamb, ASA, MAAA, FLMI at [susan.lamb@illinois.gov](mailto:susan.lamb@illinois.gov).
17. Please refer to this bulletin in future years unless and until another bulletin is posted. Any future bulletins that pertain to year-end issues are expected to be posted in early November.